Policy Option: Procurement of an Integrated Enrollment System

Description: KHPA needs to procure an enrollment system that is capable of accommodating all of the agency's enrollment functions, including private and public health insurance programs.

Background: KHPA is statutorily charged with responsibility for Medicaid eligibility policy and eligibility and enrollment in the State Employee Health Plan (SEHP). Currently KHPA uses two systems that are maintained by separate agencies, the eligibility system maintained by Social and Rehabilitation Services (SRS) and employee enrollment system maintained by the Department on Administration. The SRS system is 20 years old, designed to manage the state's welfare programs, and no longer meets the needs of either agency. System changes are expensive, cannot keep pace with Medicaid eligibility policy, and require KHPA staff to expend significant staff hours to manually "work-around" the SRS system. KHPA's strategy to increase participation in health plans, especially for uninsured children, includes leveraging community resources such as places of worship and clinical settings statewide. The current system does not support web-based applications, limiting where it can be accessed. KHPA is under a legislative mandate to lead health reform options in Kansas to improve the health outcomes of all Kansans. To achieve this goal in an efficient and cost-effective manner, KHPA and SRS are seeking to collaborate in reprocuring an eligibility and enrollment system, allowing KHPA to align its enrollment functions with private health industry models, build an administrative infrastructure that supports data driven management and policy making, and allow for easily connecting eligible individuals with SRS' services. This project is composed of two phases with the first phase being led by KHPA, resulting in the procurement of the core system and program modules related to KHPA. Phase two will be an SRS led initiative where additional program modules are added to the core system to accommodate the programs SRS administers.

Population Served: Individuals and families who are eligible for the following federal or state programs: Medicaid, SCHIP, MediKan, TB, Breast and Cervical Cancer, Healthy Kids, Medicare Supplemental Savings Programs, Child Welfare programs, SOBRA, ADAP and State Employees Health members**,** and the uninsured Kansans at large. Total estimated number of individuals: 388,000

Cost Estimate: The estimated cost for procurement of a new system is $20.0 million . These costs would be split with the Federal government and spread over three years beginning in FY 2008.

Considerations:
- KHPA's medical eligibility needs have changes so that medical policy aligns more with private insurance than welfare programs.
- The system needs to integrate with existing health care data repositories to make data-based policy decisions.
- Information technology has drastically improved over the last 20 years. A modern, agile system will allow necessary modifications, to support medical program changes, to be initiated quickly and completed at a minimum of cost, and will facilitate a community-oriented web-based approach to outreach.
- When changes to our enrollment processes occur, such as adding or altering programs or changing eligibility requirements, it is difficult to modify the current

system because of its age. The required modifications are often difficult to make, cannot be completed in time to meet legislative deadlines, and are unusually costly. These challenges often result in the substitution of system changes with error-prone and costly manual processes that are difficult to record, track, review, and modify.

- The cumbersome nature of the current eligibility system lowers worker productivity and increases both agencies' administrative costs, particularly when system access has to be shut off to conduct regular maintenance during peak processing periods.

- The current system produces little information of value to policymakers and managers seeking to optimize eligibility policy and improve performance of the enrollment system. Data inquiries are difficult to program and are essentially inaccessible to those responsible for primary outcomes.

- The State Employees Health Program is experiencing similar challenges with their current membership and enrollment system, leaving state employees poorly-served.

- A new system will allow KHPA to model our programs on the health industry instead of the public assistance model.

- Incorporating the State Employee Health Program enrollment process into this system will allow KHPA to integrate enrollment and membership management needs thereby creating efficiencies within the enrollment processes and information dissemination.

- Any new enrollment system will need to facilitate continued communication and daily cooperation between KHPA, SRS and Department of Administration staff.

Staff Recommendation:
Request funding as an enhancement for the FY 2009 budget to purchase an eligibility system for the health insurance and medical assistance programs administered by KHPA. Commensurate with the Board's consideration, additional cost data will be gathered and shared with the Board at the September 25, 2007 meeting.

Board Action: On August 20, the KHPA Board requested that staff provide additional information on the cost of the proposed system. The expectation is that by the September 25th meeting there will be a more precise cost estimate that will include the one time and on going cost and any potential return on the investment. The Board requested a thorough review of the potential cost savings of implementing a new eligibility and enrollment system including potential offsets in staff costs, efficiencies, or elimination of other systems.

Revised Staff Recommendation:
The revised cost estimate of purchasing an eligibility system to administer all of the Medicaid enrollment and eligibility determination processes is $20.0 million. The staff recommends requesting supplemental funding for FY 2008 of $4.0 million, including $2.0 million from the State General Fund, to fund the initial contract award for a vendor to convert to a relational database, implement a commercially available eligibility system, and tailor our business rules to drive that system. For FY 2009, staff recommends requesting an enhancement of $12.0 million, including $6.0 million from the State General Fund, to fund the development and implementation costs of the eligibility system. Parts of the system need to be operational by October 2008 to support Premium Assistance and key elements of the eligibility Clearinghouse contract, which expires September 30, 2008 and must be re-bid. The final $4.0 million, including $2.0 million from the State General Fund, needed during FY 2010 would be needed to

complete implementation of the eligibility system, including modules for the elderly and disabled Medicaid populations.

The estimated ongoing operational costs of the new system would be approximately $3.9 million annually. These costs include $2.0 in licensing fees, as well as $1.2 million for system maintenance, user support, and subsidiary systems such as imaging and workflow management costs. There would be some direct costs of operating the system, such as printing and mailing of notices and providing network connectivity that would total $550,000. These could be state costs or costs passed through the contract. While the majority of the ongoing operational costs would be paid to the system contractor, KHPA would need at least one staff member to manage system security (approximately $61,620) and user access.